5 things to know about flexible spending accounts

Division of Human Resources
October 2020

As you begin reviewing your options for benefits open enrollment, which begins Oct. 19, don't forget to consider flexible spending accounts.

With a health care FSA, you can reduce your taxable income by setting aside pretax money to use for qualified medical expenses, while the dependent care FSA allows the same for child care or elder care expenses. If you are unsure how FSAs work, get an overview on the Human Resources **FSA webpage** [1].

FSAs may look a little different from the last time you checked, thanks to some helpful changes that were made to the plans because of the COVID-19 pandemic.

Here are some things you might not know.

Health Care FSA

1. **Eligible expenses have been permanently expanded.**

The coronavirus relief bill permanently expanded the items eligible for reimbursement to include most over-the-counter drugs/medications and menstrual care products. **View all eligible expenses here** [2].

2. **Contribution and rollover limits have increased.**

In 2021, the contribution limit will increase from $2,700 to $2,750. The maximum amount you can roll over from 2021 to 2022 will be $550. See how much you could save in taxes **with this calculator** [3].

Dependent Care FSA

3. **Babysitters and nannies qualify.**

As long as you incur the expense so that you or your spouse can work, look for work or go to school, you can use your FSA funds to pay for babysitters and nannies. The only catch is the care cannot be provided by your spouse or one of your own dependent children.

4. **Adult and elder care services may qualify.**

The dependent care FSA isn't limited to caring for children. Care for all tax-qualified dependents, including children older than age 13, spouses, parents or other adults, may be covered if they are physically or mentally unable to care for themselves.

If you have custodial responsibility for them, they share your household and they meet the income requirements, you can claim their care. **Learn more about the requirements** [4].

5. **Temporary grace periods are in effect.**

Many University employees decided to participate in the dependent care FSA prior to the pandemic and school/day care closings. With child care disrupted this year, some participants faced difficulty using the money they had set aside. In response, a grace period was implemented for the 2020 and 2021 calendar years.

This means that if you enroll in the dependent care FSA for 2021 during open enrollment, you will be able to apply those funds to dependent care expenses incurred through March 15, 2022 (rather than Dec. 31, 2021).

And if you enrolled in the dependent care FSA for 2020, you can apply those funds through March 15, 2021 (rather than Dec. 31, 2020).

Action is required this year during benefits open enrollment, which runs Oct. 19–Nov. 6. To review all your options for 2021, **visit the Open Enrollment website** [5].

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Links
[1] https://hr.arizona.edu/content/flexible-spending-accounts [2] http://www.asiflex.com/EligibleExpenses.aspx [3] http://www.asiflex.com/Calculator.aspx [4] http://asiflex.com/Dependent.aspx [5] https://hr.arizona.edu/open-enrollment